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Reasons and theoretical basics of modernizing Hungary's planning system

Planning in the public sector is a must, a process that is shaped by constant learning. It is applied in every country regardless of social-economic regime. There are hardly any opinions today that would deny that governments (meaning general governments or “the state”) need to shape, direct and control the part of social-economic processes that relate to the public sector – while taking into consideration the endeavours of other players. In every capitalist country, market players, central and local government entities and other parties all perform budgeting,¹ and then act on the basis of those plans. One basic role of the general government is to do the planning work of matters that concern the entire country, perform coordination regarding sector-specific/thematic issues that are for the state to handle and to regulate lower level planning. Comprehensive government planning is equally indispensable for the efficient management of finances, for orienting the market, for organizing public services, for the simultaneous enforcement of social, environmental and heritage protection considerations and for accountability. This is the most viable way of comprehensive problem management, interest harmonization and decision making (*managing the mix*).

Planning in the general government sector is

the basis of managing a country. It helps develop the nation's vision, supports the specification of objectives/priorities and the development and implementation of a common strategy. The enforcement of the national public policy calls for a harmonised system of regulations, institutions and tools. Planning brings order and a systemic approach into governance, sets the themes for professional and social dialogues and makes these discussions manageable. A well-regulated and properly implemented planning process can ensure “good governance”, openness, participation, accountability, efficiency and coherence.

Planning in the public sector is a multi-player and multi-level power game and plan documents are relatively cheap and effective ways of exercising power. Public planning can be both used and abused, thus it must be regulated at an adequately high level to ensure transparency and controllability.

WHY DOES PUBLIC PLANNING NEED TO BE ON THE AGENDA?

In the wake of the change of political system in Hungary, public and social forms of planning were often identified as “practices of the social-



ist regime”. The related institutions were wound up and public planning was removed from education programs. Due to banal misunderstandings, the theory and (in part) the methodology of planning disappeared from mainstream macroeconomic thinking in the past 20 years. At universities, only corporate-level strategic planning is taught and technical literature hardly pays any attention to public planning.

The efficient utilisation of scarce development resources is highly dependent upon the specific planning management system under which it takes place. I agree with the statement in the referenced study that a unified and harmonised planning system is currently missing in Hungary. Planning is carried out at various places based on partial regulations that are independent of each other. Any linking among these efforts is incidental only and synergies remain unutilised. Each sector and functional area bases its development decisions and planning documents of various depths on sector-specific professional considerations and nobody is coordinating these endeavours. There are partial areas (like regional development and environment protection) where planning is regulated by laws. Still, the preparation of EU planning documents which have the highest impact among similar papers is only regulated by government decrees. Therefore, the government can even align the system to its actual political interests. In recent years, once our politicians realized that EU funds can only be accessed through appropriate plans, a fierce power battle broke out for control over EU-related planning and implementation. An unprecedented centralisation and concentration of power took place. Decision-making competences and institutions of implementation were taken out from the traditional public administration / power hierarchy and direct (personal) political influencing was enabled.

Parallel to Hungary's EU integration, “traditional domestic planning” and the related institutions were gradually downgraded and lost significance.

Today, there is no strategic planning in the public sector at all, only *budgeting*. Our National Strategic Reference Framework (renamed as the New Hungary Development Plan – NHDP) and operational programmes were prepared in accordance with strict EU directives. In hopes of accessing funds, we had to follow every EU requirement. The objectives, the priorities, the rules and potential areas of utilisation, the institution system all reflect EU (external) expectations. Regions and local governments do not make real strategic plans. Instead, they align their programs to actual funding opportunities at any given time and assign their own resources accordingly. Development funds are distributed exclusively through central application mechanisms which diverts the preferences of local communities. They do not implement what they would want but help attain the “supporter's” objectives. All this reinforces central power and promotes centralization (serving the will of fund distributors) and acts against real decentralisation.

At central government level, the institutional and personal preconditions of planning are missing. There is no institution (ministry or office) that would have adequate mandates and staff to perform global planning and coordinate the planning efforts of other public entities. At the National Development Agency, the organizational units in charge with planning were wound up and the last planners were dismissed last summer. However, status assessment (analysis), strategic and action planning are responsibilities that require ongoing work and e.g. the plans which should serve as the basis of EU plans entering into effect in 2014 should be approved of in 2011 already [National Regional Development Concept

(NRDC, Hungarian acronym: OTK), National Development Policy Concept (NDPC, Hungarian acronym: OFK)].

DIRECTIONS OF MODERNIZATION

I agree with most of the directions and actions for modernization which *Gusztáv Báger* outlined, but I would be more specific on key action items. Existing planning endeavours must be reinforced and built into a multi-layer and multi-player planning system that is based on the distribution of functions. This can only be implemented with *regulation by laws and a strong system of institutions and means*. Before the related bills are passed and the new institutions are established, however, the main concept issues should be subjected to academic/professional and social debate while open issues must be brought to a quick conclusion.

Naturally, Hungary's planning system must be focused on the country's social and economic development and must also utilise EU funding opportunities. The latter is one of the optimisation criteria. In other words, we need a comprehensive and harmonised planning system in which each "part" mentioned in the debate has a place/role. Likewise, at the various forums of the European Union, Hungary must represent an approach that assigns more weight to macro-regional (Central and Eastern European) and to country-specific considerations in the national (decentralised) planning of cohesion and structural fund utilisation.

The role of plans in governance must be reinforced by laws and plan implementation must be provided for. What it also means is that fewer plan documents should be generated but the plans should be feasible. Plans should be prepared and practically approved of by people who have influence over the subject area concerned. Existing resources must be allocated to

plans in some form. No public spending should be allowed unless it fits into an element of the integrated planning system!

A revamped neo-corporatist planning system/network would suit Hungary the best, where the dominance of the general government in public policymaking is guaranteed. A vertically and horizontally segmented system (network) of cooperating institutions must be established (appointed) in which each unit has specific responsibilities that fit into the greater system (functional distribution). The various plan types (e.g. concept, strategy and program) and their scope must be defined, then they must be assigned to institutions that will be in charge with their approval. E.g. comprehensive strategic direction should continue to rest with the National Assembly, along with the right to approve of the related concepts (e.g. NDPC, NRDC), plans and reports. The government should be responsible for approving medium-term strategies and programs (not only EU-related), for directing implementation and for performing cross-sector coordination. A ministry should be appointed to be in charge with government-level planning and provided with an adequate number of planning staff on an ongoing basis. The National Development Agency (and its chores) must be reintegrated into the Hungarian public administration system. (There is no room for mentioning all the institutions here.) The credibility of planning institutions must be restored, the preconditions of professionalism must be provided for and the influencing opportunities of various interest groups must be channelled adequately.

The interworkings of the different planning areas must be clarified and their work should be properly harmonised. In particular, harmony must be ensured across the following:

- financial/budget planning and economic/development (strategic) planning,

- sector-specific and regional development planning,
- EU-and and domestic (national) planning,
- and the plans of various levels.

As outlined in Gusztáv Báger's principle of open and transparent [planning] that actively involves non-government entities, openness and transparency are indispensable prerequisites of participation. The planning process and the depth of regulation must enable the incorporation of new proposals and the different, unique endeavours of stakeholders. In an overregulated procedure like the preparation of the EU's national strategic reference framework (NHDP), participation can only be nominal.

Planning must be made an iterative, mutual learning process where the output is not only a plan document but a new level of knowledge for all key participants. While participating in the planning process, the various players can get a better understanding of the issues to be resolved, the possible solutions and the barriers thereto. They can get to know rules, requirements and conditions and that serve the accomplishment of jointly set objectives. If participation in planning is ensured, players can be rightfully expected to integrate the principles accepted at national level also into their own endeavours.

Due to my specific area of expertise, I would address in more detail the interworkings between regional and sector-specific and regional and local (settlement-level) planning. Regional planning is not only one branch of planning. As regions inevitably have an integrating role, regional planning is also suitable for harmonising different thematic/sector-specific planning efforts. It does not necessarily mean the revaluation of regional plans, but the regional viewpoint must definitely be strengthened in other plans, too.

Regional development also includes settlement development. Each regional development

action is implemented at a specific settlement and any development action taken at a specific point/settlement changes the structure of that region, too. There are several larger regional units/regions (levels) which are actually the catchment areas of specific functions provided at a single settlement (single point). Therefore, as settlement-level and regional planning are closely interrelated, they should not be separated institutionally either.

The government approach followed to date is wrong. In this approach, regional development is a government-level and regional responsibility while settlement development is for local governments to handle. The development of settlements and settlement networks must also be dealt with at national level. This is closely related to the vertical and horizontal deployment of public responsibilities. When due to economies of scale and certain minimum professional requirements public services are deployed in a concentrated manner, the location must be selected from the list settlements that are deemed suitable for the function within the area. As the drivers of development, cities must equally appear in comprehensive national and sector-specific/thematic development concepts. What also calls for the integration of regional and settlement-level development is that with most government development projects, services must be deployed in regional hubs. Services which cover larger regions must be deployed in cities but access to them must be provided for simultaneously to deployment. This kind of network planning and network building requires a bird's-eye view of the entire system and represent the only way of optimizing the functioning of the settlement system.

In the vertical structure of planning and development, the distribution of responsibilities is a key issue. The current practice is not appropriate in the sense that plans developed at different levels address issues that belong to

other levels. E.g. regional plans often decide on matters that are for the small region or even to the settlement level and they often fill in gaps in local budgets. The same way, the

respective planning work of cities and of the areas they integrate (i.e. the planning of the functional regions of cities) needs to be harmonized.

NOTE

¹ Large companies that are increasingly decisive players in today's globalising world also plan and harmonise their strategies which shorts out traditional market mechanisms in significant segments of the economy. Many authors pointed out this issue already. See e.g. Gusztáv Báger: Strategic countdown (Stratégiai visszaszámlálás), In: Figyelő, 15 January, 1998

